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PRESERVATION ALLIANCE OF NEW ORLEANS, INC.
d/b/a
PRESERVATION RESOURCE CENTER OF NEW ORLEANS

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2007 AND 2006

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of
Preservation Alliance of New Orleans, Inc. d/b/a
Preservation Resource Center of New Orleans
New Orleans, Louisiana

We have audited the accompanying consolidated statement of financial position of Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC) (a nonprofit organization) as of June 30, 2007, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of PRC's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of PRC as of June 30, 2006, were audited by other auditors whose report dated December 13, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PRC as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 5, 2008 on our consideration or PRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Hienz & Macaluso, LLC

HIENZ & MACALUSO, LLC
Metairie, LA
August 5, 2008

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Cash and cash equivalents	$ 1,905,563	$ 1,350,761
Grants receivable	4,877	10,998
Other receivable	264,691	10,017
Investments	655,848	611,768
Pledges receivable, net	10,000	19,869
Other assets - real estate	1,170,519	629,890
Property and equipment, net	1,759,794	1,794,662
Total assets	$ 5,771,292	$ 4,427,965
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 83,556	$ 102,512
Accrued vacation	51,558	46,446
Advances	119,580	161,973
Lines of credit	528,010	504,396
Capital lease obligations	45,103	21,458
Notes payable	276,451	312,785
Total liabilities	1,104,258	1,149,570
Net assets:		
Unrestricted:		
Undesignated	3,351,700	2,047,564
Designated	1,305,334	1,190,962
Temporarily restricted	10,000	39,869
Total net assets	4,667,034	3,278,395
Total liabilities and net assets	$ 5,771,292	$ 4,427,965

The accompanying notes are an integral part of these consolidated financial statements.

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Total
REVENUE, GRANTS AND OTHER SUPPORT			
Contributions - membership & sustaining	$ 1,664,440		$ 1,664,440
Grants	399,883	-	399,883
Special events	910,921	-	910,921
Fees, sales and other revenue	1,151,656	-	1,151,656
Gain on the sale of real estate	13,750	-	13,750
Net assets released from restrictions:	29,869	(29,869)	-
Total revenue, grants and other support	4,170,519	(29,869)	4,140,650
EXPENSES			
Program services:			
Preservation	464,760	-	464,760
Rebuilding Together	1,030,933	-	1,030,933
Operation Comeback	300,693	-	300,693
Preservation in Print	220,882	-	220,882
African-American Heritage	34,058	-	34,058
Total program services	2,051,326	-	2,051,326
Supporting services:			
Management and general	423,202	-	423,202
Fund raising	277,483	-	277,483
Total supporting services	700,685	-	700,685
Total expenses	2,752,011	-	2,752,011
CHANGE IN NET ASSETS	1,418,508	(29,869)	1,388,639
Net assets, beginning of period	3,238,526	39,869	3,278,395
Net assets, end of period	$ 4,657,034	$ 10,000	$ 4,667,034

The accompanying notes are an integral part of these consolidated financial statements.

PRESERVATION RESOURCE CENTER OF NEW ORLEANS CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2006			
	Unrestricted	Temporarily Restricted	Total
REVENUE, GRANTS AND OTHER SUPPORT			
Contributions - membership & sustaining	$ 1,227,399	$ 20,000	$ 1,247,399
Contributions - capital campaigns		-	-
Grants	35,374	-	35,374
Special events	659,682	-	659,682
Fees, sales and other revenue	591,173	-	591,173
Gain on the sale of real estate	19,420	-	19,420
Net assets released from restrictions:			
Satisfaction of property acquisition restrictions			-
Write-down of restricted pledges receivable	8,080	(8,080)	-
Total revenue, grants and other support	2,541,128	11,920	2,553,048
EXPENSES			
Program services:			
Preservation	431,697	-	431,697
Rebuilding Together	722,331	-	722,331
Operation Comeback	196,637	-	196,637
Preservation in Print	209,363	-	209,363
African-American Heritage	24,543	-	24,543
Total program services	1,584,571	-	1,584,571
Supporting services:			
Management and general	394,201	-	394,201
Fund raising	156,634	-	156,634
Total supporting services	550,835	-	550,835
Total expenses	2,135,406	-	2,135,406
CHANGE IN NET ASSETS	405,722	11,920	417,642
Net assets, beginning of period	2,832,804	27,949	2,860,753
Net assets, end of period	$ 3,238,526	$ 39,869	$ 3,278,395

The accompanying notes are an integral part of these consolidated financial statements.

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,388,639	$ 417,642
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	131,224	112,773
Gain on sale of real estate	(13,750)	(19,420)
Gains on Investments	(50,653)	(10,295)
Changes in assets and liabilities:		
Grants receivable	6,121	46,239
Other receivables	(254,674)	4,008
Pledges receivable	9,869	8,080
Accounts payable and accrued liabilities	(18,956)	91,637
Accrued vacations	5,112	23,446
Advances	(42,393)	161,973
Net cash provided by operating activities	1,160,539	836,083
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale/maturity of investments	164,974	89,803
Purchases of investments	(158,401)	(98,842)
Proceeds from sale of property held for sale	455,831	135,120
Purchases of other assets - real estate	(982,710)	(319,304)
Purchases of property and equipment	(63,178)	(33,565)
Net cash used in investing activities	(583,484)	(226,788)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in lines of credit	23,614	84,887
Payments on capital lease obligations	(9,533)	(9,019)
Payments on notes payable	(36,334)	(40,461)
Net cash provided by (used in) financing activities	(22,253)	35,407
Net increase in cash and cash equivalents	554,802	644,702
Cash and cash equivalents, beginning of year	1,350,761	706,059
Cash and cash equivalents, end of year	$ 1,905,563	$ 1,350,761
Supplemental Disclosures:		
Interest paid	$ 17,177	$ 24,504
Non-cash investing and financing activities:		
Property and equipment purchased under capital leases	$ 52,076	$ -

The accompanying notes are an integral part of these consolidated financial statements.

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1974, Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC) is a nonprofit organization, which preserves and enhances targeted historical neighborhoods of New Orleans through community revitalization projects. The accompanying consolidated financial statements also include the accounts of JRF, Inc., a Louisiana for-profit corporation that is a wholly owned subsidiary of PRC, which is dormant. JRF, Inc. was utilized to purchase and renovate selected properties in targeted neighborhoods to enhance PRC's revitalization efforts. All intercompany transactions have been eliminated.

The following program and supporting services are included in the accompanying consolidated financial statements:

Preservation

The Preservation Program encompasses PRC's various general activities related to promoting the preservation of historic properties and districts, including advocacy before regulatory authorities, public awareness efforts, development of preservation plans for specific properties and districts, and related activities. This program is funded wholly by contributions from PRC's donors.

Rebuilding Together

PRC's most significant annual volunteer event involves the donation of time and materials by contractors, private businesses and individuals, and retailers in an intensive two-week effort to renovate historic residential properties owned by low-income individuals and senior citizens. This program is funded by a combination of contributions, corporate sponsorships and government grants.

Operation Comeback

Operation Comeback comprises PRC's activities directed towards the acquisition and renovation of blighted historic properties. This program is funded primarily by corporate and individual contributions.

Preservation in Print

Preservation in Print fosters knowledge, stimulates interest, and facilitates participation in public and private historic preservation through the printing and publication of PRC's quarterly newsletter. This program is funded by a combination of contributions from advertising revenues and government grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Education and Outreach

Education and Outreach focuses on outreach programs – workshops, lectures, tours, print and electronic information - regarding building acquisition and restoration, cultural heritage, historic architecture and neighborhoods, preservation programs and incentives, with a focus on African-American Heritage (AAH). AAH focuses on the identification and preservation of the homes and significant structures frequented by New Orleans' early jazz musicians. AAH's main purpose is to research, identify, and landmark these homes and other structures.

Management and General

Management and general supporting services include the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of PRC's program strategy; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of PRC; and manage the financial and budgetary responsibilities of PRC.

Fund Raising

Fund raising provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Restrictions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Similarly, PRC reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions that are restricted for the acquisition of property are reclassified to unrestricted assets when the related property is acquired, unless the donor explicitly attaches a time restriction to the contribution. PRC's temporarily restricted net assets relate to contributions and unconditional promises to give to its capital fundraising campaign, as discussed in Note 2.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue

Contributions are generally recorded only upon receipt, unless a pledge of contribution has been received and confirmed. Such pledges are recognized, when the pledge is made, at the net present value of the future contributions. All contributions are considered to be available for unrestricted use unless restricted specifically by the donor.

Donated Services and Materials

Numerous skilled laborers, such as carpenters, plumbers, and electricians, along with several hardware retail outlets and property owners, make significant donations of time, materials and warehousing space in conjunction with various revitalization projects. Skilled labor rates, retail values of donated materials and fair value of rental warehousing space are used in valuing and recording these contributions. The value of these contributions for fiscal years 2007 and 2006 was estimated to be approximately $135,684 and $45,000, respectively. These amounts are included in contributions and Rebuilding Together program services in the accompanying consolidated financial statements.

In addition, volunteers from throughout the community provide unskilled labor in conjunction with the annual Rebuilding Together's project (formerly known as Christmas in October). The value of these services, which was estimated to be approximately $540,298 and $943,800 for fiscal years 2007 and 2006, respectively, are not recognized in the accompanying consolidated financial statements due to the unspecialized nature of these services.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, PRC considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. PRC's cash and cash equivalents at June 30, 2007 and 2006 included approximately $591,339 and $689,600, respectively, of investments in money market funds.

One of the grant requirements for PRC is that temporarily restricted grant monies be deposited into a designated account.

Investments

Investments at June 30, 2007 and 2006 consisted of fixed income investments totaling $217,987 and $257,618, respectively, and equity investments valued at $437,861 and $354,150, respectively. Investments are recorded at fair value. In fiscal 2007 and 2006, interest income on investments was $42,891 and $12,128, respectively. Net appreciation in investments was $50,653 and $10,295 for fiscal years 2007 and 2006, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other Assets – Real Estate

Other assets – real estate is comprised of blighted historic properties that PRC acquires and renovates, with the intention to resell. These properties are carried at their historical cost, including renovation. Donated assets are recorded at fair value at the time of their donation.

Property and Equipment

Property and equipment are recorded at cost. Donated assets are recorded at fair value at the time of their donation. PRC capitalizes all expenditures for equipment in excess of $500. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets (5 to 25 years).

Income Taxes

PRC is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and from state income taxes under Section 121 (5) of Title 47 of the Louisiana Revised Statutes of 1950; it is not a private foundation.

JRF, Inc., a wholly owned subsidiary of PRC which is currently dormant, is a Louisiana for-profit corporation subject to federal and state income tax laws.

Advertising

PRC expenses advertising costs as incurred. During fiscal 2007 and 2006, PRC's advertising costs charged to expense were $4,117 and $5,100, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. PRC's estimates include those regarding the fair value of contributed services and the collectibility of receivables.

Reclassifications

Certain amounts from 2006 have been reclassified to conform to the 2007 presentation.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable are to be used for the purchase, renovation and subsequent debt repayment of PRC's headquarters and warehouse. At both June 30, 2007 and 2006, the discount rate used to estimate net present value was 7%. The discount rate reflects the current market conditions for anticipated returns at those dates. Subsequent to year-end 2005, management performed an analysis of pledges receivable and determined that a $40,000 pledge appeared uncollectible and should be written off, and a $200,500 pledge should be reserved due to uncertainties about its collectibility and the timing of future receipts.

Unconditional promises to give at June 30 were receivable as follows:

	2007	2006
Receivable in less than one year	$210,500	$ 160,500
Receivable in one to five years	-	60,000
	210,500	220,500
Less discount	-	131
	210,500	220,369
Less allowance for uncollectible account	200,500	200,500
Pledges receivable, net	$ 10,000	$ 19,869

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following at June 30:

	2007	2006
Land	$ 363,000	$ 363,000
Buildings and improvements	1,782,593	1,785,514
Office furniture and equipment	298,900	256,571
	2,444,493	2,378,085
Less: Accumulated depreciation and amortization	684,700	583,423
	$1,759,794	$1,794,662

NOTE 4 - LINES OF CREDIT

In order to achieve PRC's goal of revitalizing targeted historical neighborhoods, PRC purchases homes for renovation in those targeted neighborhoods. Funding these projects often requires PRC to enter into line of credit agreements. The specific property under renovation is used as collateral for these lines of credit. During fiscal years 2007 and 2006, interest incurred of $0 and $9,167, respectively, was capitalized relating to these properties.

At June 30, 2007, PRC had two lines of credit available with a bank totaling $529,500, bearing interest rates of 4.5% and 4.75% and secured by first mortgages on a specific property held for sale with a total net book value of $664,920. The two lines of credit mature in January 2008. The outstanding balance on these lines of credit at June 30, 2007 totaled $528,010.

At June 30, 2006, PRC had three lines of credit available with a bank totaling $829,500, each bearing interest rates ranging from 4.5% to 5% and secured by first mortgages on specific properties held for sale with a total net book value of $542,479. One line of credit for $99,000 matured in June 2006. The remaining two lines of credit mature in January 2007. The outstanding balances on these lines of credit at June 30, 2006 totaled $504,396.

NOTE 5 – CAPITAL LEASE OBLIGATIONS

During fiscal 2007, PRC replaced its two photocopiers under capital lease obligations from the prior year with newly acquired copiers purchased under capital leases for $52,076. These copiers are included in property and equipment in the accompanying consolidated statements of financial position, and the related amortization is included in accumulated depreciation and amortization and depreciation and amortization expense. The net book value at June 30, 2007 and 2006 was $44,382 and $18,608, respectively. Future minimum lease payments under the capital lease for the years succeeding June 30, 2007, are as follows:

2008	$ 12,180
2009	12,180
2010	12,180
2011	12,180
2012	3,180
Total minimum lease payments	$ 51,900
Less amounts representing interest	6,797
Present value of minimum capital lease payments	$ 45,103

NOTE 6 - NOTES PAYABLE

PRC has a note payable to a foundation that has a stated interest of 5% and is due in monthly installments of principal and interest of $1,980. A final principal payment of approximately $187,000 is due in April 2008. The outstanding balance under this note was $198,676 and

NOTE 6 - NOTES PAYABLE (cont'd)

$228,075 at June 30, 2007 and 2006, respectively. The note is collateralized by the land and building of PRC's current headquarters, which had a net book value of $1,546,258 and $1,610,180 at June 30, 2007 and 2006, respectively. During fiscal years 2007 and 2006, PRC paid 27 and 6, respectively, of the 12 monthly payments due. The foundation has expressed that it has no intent of accelerating future payments or foreclosing on the collateralized property. Interest is not accrued on missed payments, and thus, the effective interest charged is less than the 5% stated in the note document. As of June 30, 2007 and 2006, PRC paid installments through May 2007 and March 2005, respectively.

PRC has a note payable to a financial institution which bears interest at 6.35% and is due in monthly installments of principal and interest of $1,160. A final principal payment is due in May 2008. The outstanding balance on this note was $77,775 and $84,710 at June 30, 2007 and 2006, respectively. The note is collateralized by a warehouse used to store materials primarily for the Rebuilding Together program. The warehouse had a net book value of $103,310 and $146,909 at June 30, 2007 and 2006, respectively.

Maturities of PRC's notes payable for the fiscal years ending June 30 are as follows:

2008	$276,451

PRC incurred interest expense of $17,177 and $24,504 during fiscal 2007 and 2006, respectively, of which $0 and $9,167, respectively, were capitalized in other assets – real estate.

NOTE 7 - DESIGNATED FUNDS

Periodically, PRC's board of directors designates certain funds to be used for specified purposes. The following designated funds had been established at June 30:

Fund	Purpose	2007	2006
Quasi-Endowment Fund	Quasi-Endowment	$ 697,686	$ 629,089
Aron Fund	Historic Renovation	26,333	253,619
OC Revolving Fund	Historic Renovation	531,650	225,054
Capital Fund/Azby	Historic Renovation	20,082	52,110
Historic Faubourg St. Mary Fund	Easement Maintenance	597	3,314
Façade Donation Fund	Easement Maintenance	28,996	27,776
		$1,305,334	$1,190,962

These funds are primarily included in cash and cash equivalents and investments in the accompanying consolidated statements of financial position.

NOTE 8 - GOVERNMENT GRANTS

Government grants require the fulfillment of certain conditions as set forth in the grant instruments. PRC intends to fulfill the conditions of all grants, recognizing that failure to fulfill the conditions could result in the return of the funds to grantors. Substantially all of PRC's grant revenue was provided by one governmental agency in both fiscal 2007 and 2006.

NOTE 9 – PENSION PLAN

PRC offers a defined contribution 403(b) plan to all employees who are at least twenty-one years of age with one year of service. Participants are allowed to contribute up to a maximum of 15% of their total compensation.

Additionally, PRC provides a simplified employee plan (the Plan) to its employees. The Plan provides, to all employees who have been with PRC for a minimum of three years, an annual contribution to an Individual Retirement Account (IRA) equal to 2.5% of the employees' current gross eligible compensation. Contributions to the Plan totaled $7,631 and $9,951 for fiscal 2007 and 2006, respectively.

NOTE 10 – CONCENTRATIONS

PRC places its cash and cash equivalents with high credit quality institutions in the greater New Orleans area. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $100,000. Amounts on deposit in excess of insured limits were approximately $1,521,013 at June 30, 2007.

NOTE 11 – SUBSEQUENT EVENT

On August 29, 2005, Hurricane Katrina struck the Greater New Orleans area and forced the temporary closure of PRC's headquarters and preservation construction efforts. The effect of this catastrophe on PRC's operations is uncertain at this time. However, PRC does not anticipate any significant changes as a result thereof.

Hienz & Macaluso LLC
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana

We have audited the consolidated financial statements of Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC) (a nonprofit organization), as of and for the year ended June 30, 2007, and have issued our report thereon dated August 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered PRC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of PRC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PRC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects PRC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of PRC's financial statements that is more than inconsequential will not be prevented or detected by PRC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by PRC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance

As part of obtaining reasonable assurance about whether PRC's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2007-01.

PRC's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit PRC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and various federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC

HIENZ & MACALUSO, LLC
Metairie, LA
August 5, 2008

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Preservation Resource Center of New Orleans for the year ended June 30, 2007 was unqualified.

2. Internal Control
   Material weaknesses – None noted.
   Significant deficiencies – None noted.

3. Compliance and Other Matters
   Noncompliance material to financial statements – See finding 2007-01 below.

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING STANDARDS:

2007-01 Late Submission of Audited Financial Statements

Under Louisiana statute, the Preservation Resource Center (PRC) was required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles and submit it to the Legislative Auditor by December 31, 2007. The PRC did not meet the deadline for submitting its annual audit to the Legislative Auditor, resulting in noncompliance with Louisiana laws. The failure to have the annual audit completed in a timely fashion was primarily due to the effects of Hurricane Katrina and the resulting loss of the majority of the PRC's employees.

We recommend that the PRC establish necessary procedures to ensure that its financial statements are submitted to the Legislative Auditor in accordance with state statute.

Management's Response

Due to the effects of Hurricane Katrina and the resulting loss of the majority of our staff at that time, our fiscal year 2005 and 2006 audits were delayed. Subsequently, our fiscal year 2006 audit was not completed until December 13, 2007 resulting in the delay in completing the fiscal year 2007 audit. The PRC has now established the appropriate policies and procedures to ensure that future audits will be completed and submitted as per Louisiana statute.

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

06-1 PRC does not maintain a computerized accounts payable subsidiary ledger that is integrated with the general ledger. The client prepared a detailed excel spreadsheet of amounts owed vendors at June 30, 2006 which reconciled to the general ledger balance. However, during testing of subsequent disbursements, it was determined that the balance was not properly reflective of amounts owed at June 30, 2006. As a result, audit adjustments were necessary to record additional liabilities of approximately $51,000 as of June 30, 2006.

This finding was resolved in the current year.

06-2 A fixed asset depreciation program was purchased and implemented during fiscal year 2006. Some of the prior years' fixed asset purchases were not properly input into the system which caused differences between the accumulated depreciation figures generated by the program and those recorded in the general ledger. As a result, accumulated depreciation amounts in the fixed asset program cannot be relied upon for current and future reconciliations to the general ledger until necessary adjustments are recorded.

This finding was resolved in the current year.